

Message Text

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ACTION AGR-20

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E.O. 11652: N/A

TAGS: EAGR, ETRD, JA

SUBJECT: INCREASED ORANGE JUICE QUOTA

PASS AGRICULTURE, F AND V DIV., AND TRADE OPERATIONS DIV.

REF: TOFAS 509

1. SUMMARY: LATE AUG 25 GOJ MINISTER OF AGRICULTURE AND FORESTRY (MAF) ANNOUNCED NEW JFY-73 (YEAR ENDING MAR 31, 1974) QUOTA FOR ORANGE JUICE OF 1,000 MT TOTAL - DOUBLE LAST YEAR'S 500 MT. TOTAL INCLUDES 350 MT WHICH MAY BE USED ONLY FOR BLENDING. LENDING-QUOTA WILL BE ALLOCATED ONLY TO TWO COOPERATIVES. NEW QUOTA SHOULD RESULT IN SOME INCREASED ORANGE JUICE BUSINESS FOR THE U.S. END SUMMARY.

2. LATE AUG 25 GOJ'S MAF MINISTER ANNOUNCED ORANGE JUICE IMPORT QUOTA FOR JAPAN FY-73 (ENDING MARCH 31, 1974) AS 1,000 MT TOTAL. THIS TOTAL IS DOUBLE THE 500 MT AUTHORIZED FOR JFY-72. THE ENTIRE 1,000 MT QUOTA IS GLOBAL AND HAS TWO ELEMENTS, NAMELY:

A. REGULAR QUOTA: THE ENTIRE 500 MT QUOTA OF LAST YEAR WAS IN THIS CATEGORY. THE NEW QUOTA INCREASES THIS "REGULAR ELEMENT" BY 30 PERCENT TO 650 MT. IN OTHER WORDS, THE "FREE MARKET" WILL NOT FEEL THE IMPACT OF THE ENTIRE 1,000 MR. THERE ARE NO RESTRICTIONS ON USE - VIZ. THE "REGULAR QUOTA" PRODUCT COULD BE USED FOR BLENDING OR SOLD AS STRAIGHT U.S.-TYPE JUICE. THE MINISTER IS EXPECTED TO JUSTIFY THIS

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30-PERCENT INCREASE TO THOSE OPPOSING THIS ACTION AS

NECESSARY FOR PRICE STABILIZATION AND AS THE JUICE INDUSTRY'S CONTRIBUTION TOWARD CONTROLLING INFLATION IN JAPAN. MAF HAS AIMED AT PERMITTING IMPORTS EQUAL TO ABOUT 8 PERCENT OF TOTAL ORANGE JUICE CONSUMPTION DURING JFY-73.

B. SPECIAL QUOTA FOR BLENDING: THIS IS A NEW QUOTA CATEGORY, NO DOUBT RESPONDING TO U.S. REQUESTS IN TRADE TALKS, U.S. INDUSTRY VISITORS, AND CONTINUOUS EMBASSY REPRESENTATIONS. THIS ENTIRE 350 MT ELEMENT WILL BE ALLOCATED TO TWO AGRICULTURAL COOPERATIVE ASSOCIATIONS, NAMELY: (1) ZENNO, AND (2) JAPAN FRUIT GROWERS ASSOCIATION (NICHIREN). ZENNO HAS A BUSINESS RELATIONSHIP WITH THE FLORIDA CITRUS COOPERATIVE KNOWN AS SEALD SWEET GROWERS, AND A MEMBER OF NICHIREN, THE SAGA PREFECTURAL HORTICULTURAL FEDERATION IS PRESENTLY TEST MARKETING A 50-50 U.S.-JAPAN ORANGE JUICE BLEND IN SHIZUOKA PREFECTURE UNDER A BUSINESS ARRANGEMENT WITH SUNKIST, INC., OF VAN NUYS, CALIFORNIA. MAF REPS EXPLAIN THE BLENDING-QUOTA AS "TENTATIVE" OR "INTRODUCTORY" - THAT ITS PURPOSE IS TO SELL MORE MIKAN JUICE BY ENHANCING ITS QUALITY THROUGH BLENDING. IF CONSUMPTION OF MIKAN "BLENDED" JUICE - BY REASON OF HIGHER CONSUMER DEMAND - GROWS AT A RATE WHICH ALSO INCREASES TOTAL MIKAN ORANGE USE, ADDITIONAL QUOTA MAY BE NEEDED AND MAF REPS WILL SUPPORT REQUESTS FOR SUCH INCREASES FOR THIS PURPOSE. THE MARKET ITSELF WILL DICTATE WHAT EVENTUALLY BECOMES OF THE "SPECIAL QUOTA FOR BLENDING."

3. COMMENT: EVEN THOUGH THE PERCENTAGE INCREASE IS LARGE, THE AMOUNT OF PRODUCT INVOLVED IS SMALL. MOST IMPORTANT IS THE NEW OPPORTUNITY FOR U.S. CITRUS JUICE MANUFACTURERS TO DEAL WITH JAPAN JUICE BLENDERS WITH MORE CONFIDENCE THAT MARKET ACCESS IS EITHER HERE OR WILL BE FORTHCOMING. THAT THE 350 MT QUOTA WILL BE RESTRICTED TO COOPERATIVES MAY WORK INCONVENIENCE ON SOME U.S. JUICE BUSINESS. IN EXPRESSING CONCERN THIS POINT, MAF REPS ADVISED AG ATT IN SUBSTANCE: "WE TOO EXPECT OUR PRIVATE JUICE MANUFACTURERS TO COMPLAIN VIGOROUSLY. HOWEVER, FOR OUR OWN INTERNAL REASONS, IT IS LIMITED OFFICIAL USE

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NECESSARY THAT WE START OUT WITH COOPERATIVES ONLY. THE PRIVATE SECTOR CAN USE THE REGULAR QUOTA JUICE FOR BLENDING." ONE OFFICIAL STATED PRIVATELY: "IT IS INEVITABLE THAT NOT LATER THAN NEXT YEAR THE "PRIVATE" JUICE MANUFACTURERS WILL ALSO NEED TO BE INCLUDED IN THE "QUOTA FOR BLENDING." AG ATT MENTIONED THAT THE TEXAS CITRUS PRODUCING AREA MAY ALSO BE INTERESTED. MAF REP RESPONDED THEY WOULD BE PLEASED TO HAVE TEXAS INTEREST AND SHOULD TEXAS CITRUS REPS ELECT TO

COME TO JAPAN, AS HAVE CALIFORNIA-ARIZONA, AND FLORIDA -
THEY WOULD BE WELCOME.

4. RECOMMENDATION (FOR FITZSIMMONDS/FAS): SUGGEST YOU CALL
FCC AND CACL REPS ON TELEPHONE SOONEST. ADVISE THEM OF
ELEMENTS IN NEW QUOTA. URGE THAT IMMEDIATELY, THEY RENEW
SALES ACTIVITIES ON A PLANT-BY-PLANT BASIS WITH JAPANESE
ORANGE JUICE BLENDERS - ALL OF WHOM ARE WELL KNOWN TO THEM.
ALSO, STRESS THAT MANY U.S. JUICE MANUFACTURERS IN PAST HAVE
TOLD US, AS WELL AS THE JAPANESE INDUSTRY, THAT MIKAN JUICE
HAS QUALITIES OF COLOR AND PERHAPS OTHER GOOD CHARACTERISTICS
AND WHEN BLENDED WITH U.S. JUICE HELPS THE LATTER. SUGGEST
THAT AMERICAN JUICE MANUFACTURERS GIVE ALL POSSIBLE CON-
SIDERATION TO IMPORTING SOME - EVEN SMALL VOLUMES - OF
JAPANESE MIKAN JUICE FOR BLENDING INTO U.S. PRODUCT. AT THE
OUTSET, U.S. IMPORTS OF EVEN A TOKEN QUANTITY OF MIKAN JUICE -
EMPHASIZING THE PRINCIPLE OF TWO-WAY TRADE - WOULD BE HELPFUL.
IF U.S. JUICE INDUSTRY PLANTS COULD ESTABLISH A REGULAR SMALL
IMPORT OF MIKAN JUICE, IT WOULD BE EVEN MORE HELPFUL IN
ASSURING OUR MARKET FOR U.S. ORANGE JUICE IN JAPAN.
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